

JS-6

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

HARRISON SCHUMACHER; PAUL
MYSYK; QUANECO, LLC; and
QUANTUM ENERGY, LLC,

Defendants, and

QUANECO ENERGY HOLDINGS,
LLC; FAT CHANCE OIL & GAS,
LLC; and ANV, LLC, and TARA
SCHUMACHER,

Relief Defendants.

Case No. 2:15-6388-DDP (RAOx)

**FINAL JUDGMENT AS TO
DEFENDANTS HARRISON
SCHUMACHER, QUANECO, LLC,
QUANTUM ENERGY, LLC; AND
RELIEF DEFENDANTS QUANECO
ENERGY HOLDINGS, LLC,
FAT CHANCE OIL & GAS, LLC,
AND ANV, LLC**

1 The Securities and Exchange Commission (“SEC” or “Commission”) having
 2 filed a Complaint, and Defendants Harrison Schumacher (“Schumacher”), Quaneco,
 3 LLC (“Quaneco”), and Quantum Energy, LLC (“Quantum”) (collectively,
 4 “Defendants”); and Relief Defendants Quaneco Energy Holdings, LLC (“QEH”), Fat
 5 Chance Oil & Gas, LLC (“Fat Chance”), and ANV, LLC (“ANV”) (collectively,
 6 “Relief Defendants”) having entered a general appearance; consented to the Court’s
 7 jurisdiction over Defendants and Relief Defendants and the subject matter of this
 8 action; consented to entry of this Final Judgment; waived findings of fact and
 9 conclusions of law; and waived any right to appeal from this Final Judgment; and
 10 Defendants having admitted to the facts set forth in Annex A to the Consents of
 11 Defendants Schumacher, Quaneco, and Quantum, and the Consent of Defendants
 12 Schumacher, Quantum, and Quaneco and Annex A and B attached thereto, and the
 13 Consents of Relief Defendants QEH, Fat Chance, and ANV being hereby
 14 incorporated by reference with the same force and effect as if fully set forth herein.

15 I.

16 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendants
 17 are permanently restrained and enjoined from violating, directly or indirectly, Section
 18 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. §
 19 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using
 20 any means or instrumentality of interstate commerce, or of the mails, or of any
 21 facility of any national securities exchange, in connection with the purchase or sale of
 22 any security:

- 23 (a) to employ any device, scheme, or artifice to defraud;
- 24 (b) to make any untrue statement of a material fact or to omit to state a
 25 material fact necessary in order to make the statements made, in the light of the
 26 circumstances under which they were made, not misleading; or
- 27 (c) to engage in any act, practice, or course of business which operates or
 28 would operate as a fraud or deceit upon any person.

1 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as
2 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
3 binds the following who receive actual notice of this Final Judgment by personal
4 service or otherwise: (a) Defendants' officers, agents, servants, employees, and
5 attorneys; and (b) other persons in active concert or participation with Defendants or
6 with anyone described in (a).

7 II.

8 IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that
9 Defendants are permanently restrained and enjoined from violating Section 17(a) of
10 the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or
11 sale of any security by the use of any means or instruments of transportation or
12 communication in interstate commerce or by use of the mails, directly or indirectly:

- 13 (a) to employ any device, scheme, or artifice to defraud;
14 (b) to obtain money or property by means of any untrue statement of a
15 material fact or any omission of a material fact necessary in order to make the
16 statements made, in light of the circumstances under which they were made,
17 not misleading; or
18 (c) to engage in any transaction, practice, or course of business which
19 operates or would operate as a fraud or deceit upon the purchaser.

20 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as
21 provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also
22 binds the following who receive actual notice of this Final Judgment by personal
23 service or otherwise: (a) Defendants' officers, agents, servants, employees, and
24 attorneys; and (b) other persons in active concert or participation with Defendants or
25 with anyone described in (a).

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendants are permanently restrained and enjoined from violating Section 5 of the Securities Act [15 U.S.C. § 77e] by, directly or indirectly, in the absence of any applicable exemption:

- (a) Unless a registration statement is in effect as to a security, making use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise;
- (b) Unless a registration statement is in effect as to a security, carrying or causing to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale; or
- (c) Making use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed with the Commission as to such security, or while the registration statement is the subject of a refusal order or stop order or (prior to the effective date of the registration statement) any public proceeding or examination under Section 8 of the Securities Act [15 U.S.C. § 77h].

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendants' officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendants or with anyone described in (a).

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Schumacher is permanently restrained and enjoined from violating Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)] by, directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce, the purchase or sale of securities, without being registered as a broker or dealer, or being associated with a registered broker or dealer.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Schumacher's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Schumacher or with anyone described in (a).

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)] and Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)], Schumacher is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Schumacher is permanently barred from participating in an offering of penny stock, including engaging in activities with a broker, dealer, or issuer for purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock. A penny stock is any equity security that has a price of less than five dollars, except as provided in Rule 3a51-1 under the Exchange Act [17 C.F.R. 240.3a51-1].

VII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Schumacher is prohibited from directly or indirectly, including, but not limited to, through any entity owned or controlled by Schumacher, participating in the issuance, purchase, offer, or sale of any security, provided, however, that Schumacher is not prohibited from purchasing or selling securities listed on a national securities exchange for his own personal accounts.

VIII.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Schumacher, Fat Chance, and ANV are jointly and severally liable for disgorgement of \$244,000, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$8,457.86, for a total of \$252,457.86. In addition, Schumacher is liable for a civil penalty in the amount of \$310,000.00 pursuant to Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)]. Schumacher, Fat Chance, and ANV shall satisfy their respective obligations by paying the Securities and Exchange Commission (including, but not limited to, the transfer of all funds held in accounts owned or controlled by Schumacher, Fat Chance, and ANV with Wells Fargo Bank, N.A.) within 364 days after entry of this Final Judgment.

IX.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Quantum, Quaneco, and QEH are jointly and severally liable for disgorgement of \$12,470,272.00, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$474,286.20, for a total of \$12,944,558.20, but that this amount shall be deemed satisfied upon (1) the transfer of any and all of Quantum's, Quaneco's and QEH's funds (including, but not limited to, funds in accounts owned or controlled by Quantum, Quaneco, and QEH with Wells Fargo Bank, N.A.) to the Court for potential distribution; and (2) the

1 execution of documents that convey all of Quantum's and QEH's other assets,
 2 whether real or personal, choate or inchoate, to Quaneco.

3 X.

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, within
 5 seven days of the entry of this Final Judgment, Schumacher will execute a document
 6 suitable to the SEC to convey to the SEC his interest in the art work identified in
 7 Annex B to the Consent of Harrison Schumacher (the "Art Work"). The proceeds of
 8 the sale of the Art Work will be applied dollar-for-dollar to satisfy Schumacher's
 9 obligations pursuant to Paragraph VIII of this Final Judgment.

10 XI.

11 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that
 12 Schumacher's Consent is incorporated herein with the same force and effect as if
 13 fully set forth herein, and that Schumacher shall comply with all of the undertakings
 14 and agreements set forth therein, including, but not limited to, the undertakings to:
 15 (a) Within fourteen days of the entry of this Final Judgment, divest
 16 himself of and transfer to Quaneco any ownership interest he has or claims to have in
 17 Quantum, Quaneco, the Relief Defendants, Quaneco VI, LP, Big Sky Energy, LLC,
 18 Powder River Gas, LLC, Quest Operating LLC, and BHJ Gathering, LLC, and any
 19 related entities, joint ventures, or partnerships (collectively, the "Quantum Entities")
 20 including, but not limited to, any ownership interest in bank accounts, mineral leases,
 21 office equipment, and any other property, real or personal, whether choate or
 22 inchoate, of the Quantum Entities;

23 (b) Resign any position he holds as President, Manager, or Managing
 24 Member of each of the Quantum Entities within fourteen days of the Final Judgment
 25 in this matter; and

26 (c) Execute all necessary documents to documents to cancel any and
 27 all of his interest in the Quantum Entities and, as necessary, execute all documents
 28

1 necessary effectuate the transfer of such ownership interest to Quaneco as determined
2 by the Securities and Exchange Commission.

3 XII.

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, for
5 purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code,
6 11 U.S.C. §523, the allegations in the complaint are true and admitted by Defendants
7 and Relief Defendants, and further, any debt for disgorgement, prejudgment interest,
8 civil penalty or other amounts due by Defendants and Relief Defendants under this
9 Final Judgment or any other judgment, order, consent order, decree or settlement
10 agreement entered in connection with this proceeding, is a debt for the violation by
11 Defendants and Relief Defendants of the federal securities laws or any regulation or
12 order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy
13 Code, 11 U.S.C. §523(a)(19).

14 XIII.

15 This Court hereby orders that the Court-ordered asset freeze pursuant to
16 Paragraph VII of this Court's December 8, 2015 Preliminary Injunction (DE 45) is
17 hereby modified to permit Defendants and Relief Defendants to transfer assets,
18 including the Art work and bank accounts held at Wells Fargo, N.A., so that such
19 assets may be applied to satisfy this Final Judgment. Upon satisfaction of the
20 monetary components set forth in Section IX above, the asset freeze shall be vacated.

21 XIV.

22 To satisfy the requirements set forth in Sections VIII and IX above, Defendants
23 and Relief Defendants may transmit payment electronically to the Commission,
24 which will provide detailed ACH transfer/Fedwire instructions upon request.
25 Payment may also be made directly from a bank account via Pay.gov through the
26 SEC website at <http://www.sec.gov/about/offices/ofm.htm>. Defendants and Relief
27 Defendants may also pay by certified check, bank cashier's check, or United States
28 postal money order payable to the Securities and Exchange Commission, which shall

1 be delivered or mailed to

2 Enterprise Services Center

3 Accounts Receivable Branch

4 6500 South MacArthur Boulevard

5 Oklahoma City, OK 73169

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7 and shall be accompanied by a letter identifying the case title, civil action number,
8 and name of this Court; the paying party as a defendant or relief defendant in this
9 action; and specifying that payment is made pursuant to this Final Judgment.

10 Defendants and Relief Defendants shall simultaneously transmit photocopies of
11 evidence of payment and case identifying information to the Commission's counsel
12 in this action. By making this payment, Defendants and Relief Defendants relinquish
13 all legal and equitable right, title, and interest in such funds and no part of the funds
14 shall be returned to them.

15 The Commission may enforce the Court's judgment for disgorgement and
16 prejudgment interest against Schumacher, Fat Chance, and ANV by moving for civil
17 contempt (and/or through other collection procedures authorized by law) at any time
18 after 364 days following entry of this Final Judgment. Schumacher, Fat Chance, and
19 ANV shall pay post judgment interest on any delinquent amounts pursuant to 28
20 U.S.C. § 1961. The Commission shall hold the funds, together with any interest and
21 income earned thereon (collectively, the "Fund"), pending further order of the Court.

22 The Commission may propose a plan to distribute the Fund subject to the
23 Court's approval. Such a plan may provide that the Fund shall be distributed
24 pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of
25 2002. The Court shall retain jurisdiction over the administration of any distribution
26 of the Fund. If the Commission staff determines that the Fund will not be distributed,
27 the Commission shall send the funds paid pursuant to this Final Judgment to the
28 United States Treasury.

XVI.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: February 21, 2017 _____



UNITED STATES DISTRICT JUDGE

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